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C O N F I D E N T I A L SECTION 01 OF 02 KUALA LUMPUR 000742

SIPDIS

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TAGS: [ECON](#) [EFIN](#) [EINV](#) [PGOV](#) [PREL](#) [MY](#)
SUBJECT: MALAYSIAN OPPOSITION NOT SO CONCERNED ABOUT
ECONOMIC POLICY

Classified By: Acting Economic Counselor Juha Salin for reasons 1.4 (b)
and (d).

¶1. (C) Summary: On Thursday, August 14, Econ Counselor and Econoff met with Tony Pua, opposition Democratic Action Party (DAP) Member of Parliament. Pua is DAP's one and only economic advisor in a coalition in which the other two parties, KeAdilan ("Justice") and PAS (Islamic), economic expertise is sorely lacking. Pua explained that the opposition's economic policies on maintaining an open business climate and attracting investment were not much different from those of the current government. Fighting corruption was the top priority in opposition-controlled states, but Pua said if he had his way he would make education priority number two, beginning with efforts to attract world-class universities to open branch campuses in Malaysia. End summary.

OPENNESS TO BUSINESS; FIGHTING CORRUPTION...

¶2. (U) Pua said the economic policies of the PKR opposition coalition would be the same as under the ruling Barisan Nasional (BN) coalition with a commitment to an open business climate and attracting foreign direct investment among its top priorities. There was some disagreement within the PKR on how to fix the "New Economic Policy," a system of racial preferences favoring the majority Muslim Malays.

¶3. (SBU) All three opposition parties agreed to make fighting corruption a priority by improving transparency and accountability and implementing projects through open tender, he said. Even if it was their only achievement, "cutting the fat" (fighting corruption) over the next two years would deliver significant gains, he said.

...BUT LITTLE AGREEMENT ON ANYTHING ELSE

¶4. (SBU) Coordination among the three opposition parties remained a problem, he said. They had not formed a "shadow Cabinet"; they had not been able to agree on any power-sharing plan. Other major differences remained, particularly a plank in the PAS platform to make Malaysia an Islamic State. While PKR defacto leader Anwar often made populist statements demanding a reduction in fuel prices or more subsidies on food, there was no mechanism to consult with others in the coalition before making such pronouncements. "If Anwar thinks it sounds good, he says it," Puah explained, "and we just have to live with it. We don't voice our disagreement, but we disagree."

ECONOMIC POLICY NOT A VOTE-GETTER, NOT A STRONG POINT

15. (C) Economic policy simply was not a priority, Puah explained, because it was not a "vote-getter." Economic expertise was sorely lacking in the three-party opposition coalition, he said. While the Central Bank has talented staff to advise the federal government, the state governments under opposition control had neither a civil service competent in developing or advising on economic policy, nor the resources to hire such talent. The maximum pay for a state-level government employee without a title of "Director" was RM 5,000 (USD xxxx) per month, but Puah was helping Penang Chief Minister Lim Guan Eng find willing economists to form an economic policy team, and the money to pay them. So far, he had not had much luck. "Smart people don't want to touch politics," he explained, "and even the think tanks are tied to the BN."

16. (U) While Puah had drafted a fifty-page "shadow budget" which is available on DAP's website, neither of his allied parties had focused on economics, he said. The Islamic Party (PAS) had issued a two-page document with broad, vague principles and goals, and KeAdilan had not released anything.

PUAH'S WISH FOR MALAYSIA: BETTER EDUCATION

17. (U) When asked what his top priority would be to improve Malaysia's economy, Puah immediately said education. He said he would try to get world-class universities to open branch campuses in Malaysia, for example, an Executive MBA program by Harvard. "Smart people create jobs and wealth, and attract multi-national corporations," he said. Econ

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Counselor pointed out that U.S. universities had looked into coming to Malaysia in the past, but had declined because the Ministry of Education had not allowed them to determine their own curriculum.

COMMENT:

18. (C) The lack of economic expertise among the allied opposition parties underlines some of the difficulties they would have if they were to take over the government. The opposition-controlled state governments are struggling just to line up a few advisors and there is little expertise among politicians, let alone agreement. The bright side is that the opposition seems fully aware of its shortcomings in this regard and is unlikely to make sweeping changes. Bad ideas undoubtedly will emerge, but the Chinese business community should be able to veto them through their DAP representatives.

KEITH